

## **Audit Committee**

### **Minutes of the meeting held on 26 March 2015**

#### **Present**

Councillor Hackett (In the Chair)  
Councillors Ahmed Ali, Barrett, Lanchbury, Siddiqi and Watson  
Independent co-opted member Mr S Downs  
Mark Heap – Grant Thornton  
John Farrar – Grant Thornton

Councillor John Flanagan, Executive Member for Finance and Human Resources

#### **Apologies**

Councillor Ollerhead.

#### **AC/15/09 Minutes**

The minutes of the meeting on 29 January 2015 were submitted for consideration. The Committee agreed that they were a correct record.

#### **Decision**

To approve as a correct record the minutes of the meeting held on 29 January 2015.

#### **AC/15/10 Refresh of the Code of Corporate Governance**

A report from the Deputy City Treasurer on the Code of Corporate Governance was presented to the Committee. The Code of Corporate Governance is a public statement setting out the governance standards the Council will meet to ensure it is doing the right things, in the right way and operating in an inclusive, open, honest and accountable manner. It provides the organisation and internal and external auditors with assurance that the Council's governance standards are fit for purpose and up to date.

CIPFA (the Chartered Institute of Public Finance and Accountancy) urges local authorities to ensure their Code of Corporate Governance remains up to date. The Code is reviewed annually and where there are any changes, these are considered by Standards and Audit Committee in accordance with the Terms of Reference for these committees set out in the Constitution. At the last review the Code was found to be fit for purpose and no changes were required.

The Committee discussed the changes that have been proposed to the Code for the year 2015/16. The proposed changes to the Code reflect key policy and legislative changes that have implications for the Council since the last revision. In addition the Committee heard that the Youth Council had been consulted about the content and language used in the Code, and that with their recommendations, the Code was written in Plain English as far as was possible.

The Committee sought clarification on specific aspects of the Code that they were unfamiliar with, and queried whether all aspects of the Code were being implemented correctly.

In addition, the Committee agreed that the Code needed to clearly reflect the fact that Scrutiny Committees can make recommendations on decisions taken, or to be taken, but do not have the power to change, reverse or revise decisions. The Committee agreed that this would increase the understanding of members of the public with regard to the Scrutiny process.

The Committee discussed recent surveys about the effectiveness of the Scrutiny process, and decided that it would be useful to receive feedback as to the results of these surveys. The Committee also noted that the Scrutiny process could be made more effective if officers ensured that reports were delivered in a timely manner, so that there was sufficient opportunity to read and assess the information that they contained.

The Committee also discussed the fact that the Council had received an excellent rating with regard to their policies of inclusion and equality, and agreed that the Code should be amended to reflect this.

### **Decision**

1. To note the report.
2. To recommend that the Code of Corporate Governance reflects the Council's Excellent Rating with regard to inclusion and equality.
3. To recommend that the Code of Corporate Governance clearly reflects the scope and remit of the Scrutiny process.
4. To request a report on the effectiveness of the Scrutiny process.
5. To request a report on the effectiveness of the implementation of the Code of Corporate Governance.
6. To thank the Youth Council for their work in advising on simplifying the language used in the Code.

### **AC/15/11 Audit Committee Update**

The Committee considered a report of the Council's external auditors, Grant Thornton. A representative from Grant Thornton, explained the scope and content of the report. The report included a summary of national issues and developments that were relevant to the Council.

The report confirmed that there were no significant matters arising, and no areas that are currently causing more than minor concerns.

Grant Thornton advised the Committee that there would be increased valuation for the balance sheet with regard to the new Transport Infrastructure Accounting Code, and that further information on this would be available at a later date.

Grant Thornton also discussed the work that was ongoing to provide an informed Value for Money (VfM) conclusion for 2014/15, particularly in light of the OFSTED report that determined that the Council's Children's Services provision was inadequate.

The Interim Director of Children's Services addressed the Committee and explained the measures that were being taken to improve the provision of services. The Committee expressed concern that a number of different improvement groups had been set up, and queried who ultimately had responsibility for the improvement programme. The Committee were told that the number of groups was led by the requirements of the Improvement Notice that had been issued by the Secretary of State. The Committee were also told that the improvement programme was very closely monitored, and that insufficient improvement would result in significant sanctions from the Secretary of State, the most severe of which could be the removal of powers, as has happened in Rotherham. The Committee were assured that the Council is showing adequate progress as shown by the latest report to the Improvement Board.

The Committee queried why they had not been receiving update reports as requested at the meeting of the Committee on 3 December 2014, and detailed in the Minutes. The Committee requested that this be rectified by the next meeting of the Committee in June.

The Committee also expressed concern that the improvement programme was being rolled out over a 2 year period which they considered to be too long. The Committee were told that many of the recommendations had already been implemented, and that the 2 year roll out was to allow sufficient time for longer term permanent improvements in working practices to be executed and embedded in the Directorate.

The Committee were given examples of improvements that have already been made, namely that Social Work case loads have been reduced from the high 30's to 28 cases for experienced Social Workers and 24 cases for newly qualified Social Workers. The intention is that caseloads will be reduced further as more investment is made in the recruitment and retention of Social Workers. The Committee was also assured that staff morale and motivation is improving, and that staff feedback has shown that they are aware of the improvements that have been made to the Directorate, and that staff can see that the improvement programme will continue to roll out effectively.

## **Decision**

1. To note the report
2. To request sight of the progress report that is sent to the Improvement Board every 3 months.

3. To request a briefing for Members on the totality of lessons that have been learned from the Inspection into the governance of Rotherham Council.
4. To request a briefing for Members on the key findings of the Independent Commission into Local Government Finance
5. To request a briefing for Members to assure the Committee that the Council has a robust and adequately funded schools programme in place.
6. To request assurance that a report that the Council has a robust and adequately funded schools programme in place has been delivered to the relevant Scrutiny Committees.

### **AC/15/12 Emergent Internal Audit Plan 2015/16**

The Committee considered a report of the City Treasurer and the Head of Internal Audit and Risk Management which provided details of the areas that have been identified for auditing in 2015/16 and how these areas were prioritised. The Committee was invited to comment on the report before the completed plan would be presented for approval in July 2015.

The report set out the percentages of audit time that will be allocated to each directorate.

The Committee supported the direction and priorities highlighted in the emergent plan. They discussed the resources within the internal audit team and how it is anticipated that these will increase over the coming months.

#### **Decision**

To note the report

### **AC/15/13 External Audit Recommendations Monitoring report**

The Committee considered a report of the City Treasurer and the Head of Internal Audit and Risk Management, which provided details of the implementation of recommendations arising from external audit work.

#### **Decision**

To note the report.

### **AC/15/14 Head of Internal Audit Annual Opinion**

A report was submitted which provided details of the Head of Internal Audit and Risk Management's opinion of the Council's systems of governance, risk management and internal control. This was required by the Public Sector Internal Audit Standards to inform the Committee's views on governance, risk and control framework within the Council.

The Head of Internal Audit and Risk Management assessment was that he could only provide moderate assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently other than in respect of a small number of significant control issues identified. The Committee noted that assurance had reduced from substantial assurance for 2013/14.

The opinion is based on delivery of planned internal audit work and reliance on some other assurance provision available in the period. The key governance, risk and internal control issues that had an impact on the overall opinion related to:

- Children's Services – The Ofsted inspection in July 2014 that reported that arrangements in place for Children's Services in Manchester were inadequate.
- ICT – Key challenges are apparent in the areas of security, resilience, delays in the delivery of key projects and the transformation and upgrade of the Council's ICT infrastructure.
- Families, Health and Wellbeing - Key challenges are apparent in the areas of the effective completion of assessments, management of safeguarding incidents, monitoring of the commissioning of services and adequate staff training.

Members were satisfied that the Head of Internal Audit and Risk Management opinion could provide moderate assurance, and they shared the concerns raised about Children's Services, ICT Infrastructure and Families, Health and Wellbeing.

The Committee discussed the impact that the cuts to local government funding had on the provision of adequate services, and acknowledged that the improvement programme currently being rolled out in Children's Services must not be allowed to overshadow other areas of significant concern. The Committee discussed that they needed to know in more detail what areas were being given limited assurance rather than just an overview, and to show a comparison of concerns over an extended period of time to identify long term problems, and what was being done to address them.

The Committee also queried whether Executive Members were being notified of areas of limited assurance that were part of their portfolio and sought clarification of this at the next meeting of the Committee in June 2015.

### **Decision**

1. To note the report.
2. To request a detailed breakdown of areas of limited assurance.
3. To request that Executive Members are made aware of areas of limited assurance.

The Committee considered a report of the City Treasurer which presented the findings of the annual review of the effectiveness of the Council's system of internal audit. This was completed in accordance with the requirements of the Accounts and Audit Regulations 2011.

The report provided details of the current arrangements for internal audit, the resources, qualifications and experience within the team. There were a number of key performance measures in place to monitor the work carried out including the days spent on audit work as a percentage of available days and the number of reports issued within three months of the start of the audit.

Overall, the Committee were satisfied with the content of the report.

### **Decision**

To note the report

#### **AC/15/16 Revised Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy**

The report of the City Treasurer set out the revised Treasury Management Strategy for the Council for 2015/16 and the Prudential Indicators for 2015/16 to 2017/18. It is aligned with the Medium Term Financial Plan, which sets out a framework for delivery of a balanced budget, aligned to the priorities of the Community Strategy.

The following has been included since it was approved by Council:

- Housing Investment Fund monies as a borrowing option (a separate report had been presented to the Executive on this)
- Inclusion of loans from third parties as a borrowing option at paragraph 8.9
- Changes to Investment limits at paragraph 9.8
- Updated Treasury Indicators at Appendix A
- Change to MRP Strategy at Appendix B

The City Treasurer also stated that the potential borrowing detailed in the report would continue to keep the Council within the agreed government debt limit, which is in the process of being revised.

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

### **Decision**

1. To note the report
2. To approve the proposed revised Treasury Management Strategy Statement for 2015/16